

## Message Text

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ACTION COME-00

INFO OCT-01 NEA-10 ISO-00 EB-07 OPIC-06 TRSE-00  
CIAE-00 INR-07 NSAE-00 SP-02 /033 W  
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R 110913Z MAY 77  
FM AMEMBASSY DACCA  
TO SECSTATE WASHDC 4602

UNCLAS DACCA 2539

E.O. 11652 : N/A  
TAGS : EINU, BG, US  
SUBJECT : BANGLADESH: TWO US PRIVATE INVESTMENT  
PROPOSALS

1. GENERAL MOTORS. ON MAY 6, GM REPRESENTATIVES MET WITH BDG INDUSTRIES ADVISOR HAFIZUDDIN TO SUBMIT A FORMAL PROPOSAL FOR INVESTMENT IN PROGOTI INDUSTRIES LIMITED, AN AUTOMOTIVE ASSEMBLY PLANT AT CHITTAGONG. NO FIGURE WAS MENTIONED IN THE PROPOSAL. (FYI: WE UNDERSTAND THAT THE ACTUAL AMOUNT OF THE GM INVESTMENT MAY BE A QUARTER OF A MILLION DOLLARS.) THE PROGOTI PLANT, NATIONALIZED IN 1972, HAS ASSEMBLED GM BEDFORD TRUCKS AND BUSES FOR THE PAST DECADE.

2. THIS INFORMAL PROPOSAL READS IN PART: BEGIN TEST: THIS GENERAL MOTORS PROPOSAL RECOMMENDS A JOINT EQUITY PARTICIPATION IN PROGOTI INDUSTRIES AMONG THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH, PRIVATE BANGLADESHI INTERESTS AND GENERAL MOTORS. IT IS CONTEMPLATED THAT GENERAL MOTORS WOULD ACQUIRE AN EQUITY INTEREST OF BETWEEN 20 PERCENT AND 30 PERCENT IN PROGOTI INDUSTRIES AND THAT THE COMBINED EQUITY INTEREST IN PRAGOTI INDUSTRIES TO BE ACQUIRED BY GENERAL MOTORS AND PRIVATE BANGLADESHI INTERESTS WOULD BE AT LEAST 51 PERCENT. THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH WOULD OWN THE BALANCE OF THE EQUITY. GENERAL MOTORS AND THE PRIVATE BANGLADESHI INTERESTS WOULD ACQUIRE THEIR EQUITY  
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IN PRAGOTI INDUSTRIES THROUGH THE PURCHASE OF NEWLY-ISSUED SHARES. THE SALE OF NEWLY-ISSUED SHARES BY PRAGOTI INDUSTRIES WOULD IMPROVE THE COMPANY'S CAPITAL POSITION AND MAKE A SIGNIFICANT AMOUNT OF CASH AVAILABLE TO THE COMPANY FOR ITS GENERAL PURPOSES INCLUDING PURCHASE OF VEHICLE ASSEMBLY SETS.

THE EXACT AMOUNT OF THE GENERAL MOTORS EQUITY PARTICIPA-

TION WOULD BE DETERMINED BY THE VALUE OF THE SHARES OF PRAGOTI INDUSTRIES. IN ORDER TO ARRIVE AT A VALUE TO BE USED IN THE SHARE PURCHASE NEGOTIATIONS, IT WILL BE NECESSARY THAT AN AUDIT OF PRAGOTI INDUSTRIES BE UNDERTAKEN AS SOON AS PRACTICABLE BY INDEPENDENT PUBLIC ACCOUNTANTS AND THAT A CURRENT APPRAISAL OF THE COMPANY'S ASSETS BE MADE BY AN INDEPENDENT OUTSIDE FIRM.

DESIGNATION OF MANAGEMENT OF PRAGOTI INDUSTRIES WOULD BE THE RESPONSIBILITY OF THE PRIVATE INTERESTS WHO WOULD HOLD THE MAJORITY EQUITY IN THE COMPANY. THROUGH ITS INVESTMENTS IN PRAGOTI INDUSTRIES, GENERAL MOTORS WOULD OF COURSE, HAVE REPRESENTATION ON THE BOARD OF DIRECTORS, WHICH WOULD ENSURE GENERAL MOTORS AN ACTIVE ROLE IN THE POLICIES OF THE COMPANY AND A VOICE IN THE SELECTION OF THE MANAGING DIRECTOR OF THE COMPANY. ASSEMBLY AND DISTRIBUTION FRANCHISES, ASSEMBLY AGREEMENTS AND TECHNICAL SUPPORT FOR PRAGOTI'S OPERATIONS WILL BE ARRANGED AS REQUIRED. END TEST. FULL TEXT FOLLOWS BY AIRGRAM.

3. GM HAS ALREADY RECEIVED VERBAL ASSURANCES OF A FAVORABLE REACTION TO ITS PROPOSAL, INCLUDING A MINORITY EQUITY POSITION BY THE GOVERNMENT, BUT A FORMAL RESPONSE IS EXPECTED TO TAKE SIX TO EIGHT WEEKS.

4. STERLING DRUG, INC. TWO STERLING DRUG OFFICIALS SUBMITTED MAY 9 THEIR FIRM'S INVESTMENT PROPOSAL TO RASHIDUL HASSAN, DIRECTOR GENERAL, INDUSTRIES, FOR A JOINT VENTURE WITH THE SENA KALYAN SANGSTHA (SKS) (ROUGHLY, ARMY WELFARE BOARD), A BDG ENTITY AND WITH STERLING'S LOCAL AGENT, AS FOLLOWS:

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ENTITY	PERCENT EQUITY
STERLING	55
SKS	40
NARANJAN DEY (LOCAL AGENT)	5

5. STERLING IS TO PROVIDE DOLS 190,000 ENTIRELY IN MACHINERY; THE TOTAL INVESTMENT IS TO AMOUNT TO TK 5 MILLION (ABOUT DOLS 325,000 EQUIVALENT). AGAIN, STERLING ALREADY HAS INFORMAL INDICATIONS OF A FAVORABLE DECISION AND EXPECTS A FORMAL REPLY IN SIX TO EIGHT WEEKS.

6. COMMENT. THESE ARE THE FIRST TWO FORMAL PROPOSALS FOR DIRECT PRIVATE AMERICAN INVESTMENT IN BANGLADESH SINCE INDEPENDENCE (WITH EXCEPTION EMERALD INDUSTRIES, WHERE AMOUNT OF DIRECT INVESTMENT IS VERY SMALL). THE FACT THAT THESE MAJOR US FIRMS HAVE SUBMITTED FORMAL INVESTMENT PROPOSALS WILL HAVE AN IMPORTANT BENEFICIAL EFFECT ON THE INVESTMENT CLIMATE HERE. CERTAINLY, THE BDG MAY BE EXPECTED TO GIVE THEM CONSIDERABLE PUBLICITY.

MASTERS

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## Message Attributes

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